

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE 1-5 Refer to Exh. BSG/JES-1, at 42-43 and Exh. BSG/JES, Sch. JES-9, at 2. Please explain why none of the test year property tax expense of \$7,383,960 was allocated to non-utility operations.

Response: The adjusting of property tax expense relating to non-utility operations to the total property tax expense was overlooked. Please refer to the revised property tax adjustment calculation in Table DTE-1-5.

TABLE DTE-1-5

Adjustment To Taxes Other Than Income -
Property Taxes

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Original</u> <u>Amount</u> (1)	<u>*Assigned</u> <u>Non-Utility</u> (2)	<u>Revised</u> <u>Amount</u> (3=1-2)
1	Annualized Property Taxes	\$7,383,960	\$22,538	7,361,422
2	Less: Property Tax Expense in 2004	<u>7,071,744</u>	<u>0</u>	<u>7,049,206</u>
3	Property Tax Adjustment	\$312,216	\$22,538	\$312,216
4	Less: Portion Allocated to Northern utilities			
5	Pursuant to Building Cost Allocations	<u>1,507</u>	<u>0</u>	<u>1,507</u>
6	Annualized Property Tax Adjustment	\$310,709	\$22,538	\$288,171

* Note: Please refer to the response to Data Request No. AG-11-9 for copies of tax bills related to non-utility operations.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE 1-27 Refer to Exh. BSG/JES-1, Sch. JES-17, at 1. Please explain the proposed treatment to be accorded the retirement of steel mains and facilities resulting from the implementation of the steel infrastructure replacement program for purposes of computing the Steel Infrastructure Replacement Base Rate Adjustment.

Response: When retirements occur, the gas plant account is reduced by the original cost of the items. A corresponding debit is recorded to the accumulated reserve for depreciation. With this entry no impact occurs on the company's rate base due to the retirement.

With the reduction to the gas plant account, depreciation expense is reduced by the amount of the retirement times the effective depreciation rate.

The original cost level for the plant to be replaced under the Steel Infrastructure Replacement program is quite low due to the age of the facilities. As shown on Exh.BSG/JES-1, Schedule JES-7, Page 3 of 4, Line 15, the total original cost of bare steel pipe remaining on the books at December 31, 2004 is \$2,554,359. If the entire amount was retired, the depreciation amount would be reduced by \$121,077 at the proposed depreciation rates. The Company did not reflect any retirements in Schedule JES-17 due to the insignificant impact, but will reflect the reduction in depreciation expense as retirements occur that apply to the Steel Infrastructure Replacement program.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-2 Refer to Exh. BSG/DGC-1, at 9. Please provide the referenced U.S. Department of Transportation data used as a basis for ranking Bay State, relative to regional local distribution companies, in terms of the number of leaks in backlog at year-end.

Response:

The R.J. Rudden report, attached to Bay State's response to AG-2-16(b), provides the referenced U.S Department of Transportation data used in ranking Bay State with other regional LCD's, relative to the backlog of leaks at year end. Bay State provides the Rudden report here for the Department's convenience as Attachment DTE-3-2 (AG-2-16(b)).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Danny G. Cote, General Manager

DTE-3-9 Refer to Exh. BSG/DGC-1, at 9 and 16-17. Please provide for the years 1985 through 2004 the following:

- 1) the number of main leaks detected by type and by service area (Brockton, Lawrence, Springfield);
- 2) the number of main leaks repaired by type and by service area; and
- 3) a measure of the "leak backlog/repair performance" indicating the annual cumulative number of leaks detected and the annual cumulative number of leaks repaired.

Response:

- 1) Bay State does not maintain historical records on the number of main leaks detected, however it is able to determine the number of Class 1,2 and 3 leaks pending at any specific time.
- 2) Please see Attachment DTE 3-09 (a).
- 3) Please see Attachment DTE 3-09 (b). Figures provided are the number of known system leaks at the end of the calendar year that were scheduled for repair. Typically, most, if not all are class or type 2 leaks.

1985-2004

Year	Total Main Leaks	Cor	Third Party	Outside Force	Constr Defect	Mater Defect	Other
1985	1132	339	104	108	0	6	575
1986	1034	358	93	68	0	7	508
1987	989	250	71	54	4	5	605
1988	991	258	123	96	2	2	510
1989	842	386	74	87	2	7	286
1990	1204	364	46	84	1	7	702
1991	1039	440	51	62	3	16	467
1992	834	334	54	19	2	16	409
1993	1127	482	73	56	1	30	485
1994	1761	693	95	150	0	30	793
1995	1419	580	73	72	3	39	652
1996	1269	570	64	69	3	11	552
1997	1152	485	62	65	1	30	509
1998	1429	611	61	51	11	18	677
1999	1506	651	57	74	3	33	688
2000	1656	804	50	111	2	18	671
2001	1436	686	43	76	2	40	589
2002	1442	613	47	53	1	61	667
2003	1676	771	36	84	5	97	683
2004	1803	674	50	118	0	44	917

Data Source: RSPA Form F7100.1-1Reports

Calendar Year	Bay State Gas - Brockton Massachusetts Operating Area	Bay State Gas - Springfield Massachusetts Operating Area	Bay State Gas - Lawrence Massachusetts Operating Area	Bay State Gas - Massachusetts Consolidated Massachusetts Operating Areas
2004	50	0	0	50
2003	99	1	1	101
2002	18	1	1	20
2001	12	0	0	12
2000	14	2	0	16
1999	10	26	0	36
1998	0	21	0	21
1997	0	27	0	27
1996	0	23	0	23
1995	0	10	0	10
1994	0	8	0	8
1993	25	11	0	36
1992	49	3	0	52
1991	16	5	0	21
1990	42	4	0	46
1989	19	7	0	26
1988	0	5	0	5
1987	0	3	0	3
1986	0	8	0	8
1985	0	44	0	44

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Stephen H. Bryant, President

DTE-5-8 Refer to Exh. BSG/SHB-3. Please provide a copy of the service agreement between NCSC and Bay State that was in effect during the test year.

Response: Attachment DTE-5-8 is a copy of the service agreement between NCSC and Bay State that was in effect during the test year.

Service Agreement

BETWEEN

NISOURCE CORPORATE SERVICES COMPANY

AND

BAY STATE GAS COMPANY

Dated January 1, 2001

(To Take Effect January 1, 2001)

TABLE OF CONTENTS

ARTICLE I. <i>Definitions</i>	1
ARTICLE II. <i>Description of Services</i>	1
A. <i>Accounting and Statistical Services</i>	1
B. <i>Auditing Services</i>	1
C. <i>Budget Services</i>	1
D. <i>Business Promotion Services</i>	2
E. <i>Corporate Services</i>	2
F. <i>Data Processing, Tabulating and Calculating Services</i>	2
G. <i>Depreciation Services</i>	2
H. <i>Economic Services</i>	2
I. <i>Electronic Communications Services</i>	2
J. <i>Employee Services</i>	2
K. <i>Engineering and Research Services</i>	2
L. <i>Gas Dispatching Services</i>	2
M. <i>Geology and Production Services</i>	3
N. <i>Information Services</i>	3
O. <i>Insurance Services</i>	3
P. <i>Methods Services</i>	3
Q. <i>Office Space</i>	3
R. <i>Officers</i>	3
S. <i>Operation and Planning Services</i>	3
T. <i>Purchasing and Storage Services</i>	3
U. <i>Rate Services</i>	3
V. <i>Stationery Services</i>	4
W. <i>Tax Services</i>	4
X. <i>Transportation Services</i>	4
Y. <i>Miscellaneous Services</i>	4
ARTICLE III. <i>Compensation</i>	4
A. <i>Stationery and Data Processing Services</i>	4
B. <i>All Other Services and Miscellaneous Services Not</i> <i>Specifically Provided For</i>	4
(1) <i>Specific Direct Salary Charges to Clients</i>	4
(2) <i>Apportioned Direct Salary Charges to Associates</i>	5
(3) <i>Direct Salary Charges for Services to the Company</i>	5
(4) <i>Apportionment of Employee Benefits</i>	5
(5) <i>Other Expenses</i>	5
(6) <i>Apportionment of Overhead</i>	6
ARTICLE IV. <i>Computation of Salary Charges and Application of Overhead</i>	6
A. <i>Direct Salary Charges</i>	6
B. <i>Suspense Account and Overhead Percentage Factors</i>	6

ARTICLE V. <i>Billing</i>	6
A. <i>Monthly Bills and Detail Statement of Charges</i>	6
B. <i>Information to be Furnished by Associate</i>	7
ARTICLE VI. <i>Inspection of Records</i>	7

SERVICE AGREEMENT

THIS AGREEMENT made January 1, 2001 between NISOURCE CORPORATE SERVICES COMPANY, a Delaware corporation (hereinafter called the Company), and BAY STATE GAS COMPANY, a Massachusetts corporation (hereinafter called the Client),

WITNESSETH:

Both the Company and the Client are corporate affiliates in the NiSource Inc. System, which is comprised of NiSource Inc. and its corporate subsidiaries. The Company, which is one of said subsidiaries, maintains an organization of specialists who are experienced in the problems and operations of public utilities and related businesses together with appropriate facilities and equipment through which it is prepared to furnish services, as hereinafter provided, to the Client, and to other affiliated corporations in the NiSource Inc. System (the Client together with such other affiliates are hereinafter collectively referred to as Clients).

The rendition of such services on a centralized basis enables the Clients to realize substantial economic and other benefits through (1) efficient use of personnel and equipment, (2) coordination of analysis and planning, and (3) availability of specialized personnel and equipment which the Clients cannot economically maintain on an individual basis.

The Company will render all services performed under all agreements at cost, including reasonable compensation for necessary capital procured through the issuance of capital stock, which cost shall be fairly and equitably apportioned among the Clients. To the extent that any charges for services or goods are rendered to the clients on the basis of estimated cost, they shall be readjusted to actual costs at least annually except in cases of construction, in which event such charges shall be adjusted upon completion of the individual projects in compliance with the Securities and Exchange Commission's Rule 90 promulgated under the Public Utility Holding Company Act of 1935.

WITNESSETH THAT the Company and the Client in consideration of the premises hereby agree as follows:

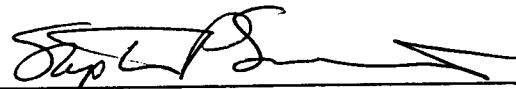
1. *Agreement to Furnish Services.* The Company agrees to furnish to the Client, upon the terms and conditions set forth in Schedule A, which is attached hereto and constitutes a part hereof, such of the services described in Article II of said Schedule A, at such times, for such periods and in such manner, as the Client may from time to time request. The Company will maintain an organization sufficient to render with efficiency and reasonable promptness such of the services described in Article II of said Schedule A as the Client may reasonably request, but it shall not be obligated to perform any services hereunder without reasonable notice.

2. *Termination.* This Agreement may be terminated, upon not less than thirty days' written notice, by either the Company or the Client; provided, however, that this Agreement shall be terminated automatically (i) to the extent that performance under this

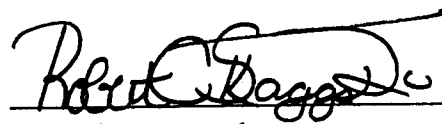
Agreement may conflict with any rule, regulation or order of the Securities and Exchange Commission adopted before or after the making of this Agreement, or (ii) if this Agreement shall become invalid or illegal under any state law or under any rule, regulation or order of any state commission or other state body having jurisdiction in the premises.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

NISOURCE CORPORATE SERVICES COMPANY

By: 
Name:
Its:

BAY STATE GAS COMPANY

By: 
Name: Robert C. Skaggs
Its: President and Chief Executive Officer

NISOURCE CORPORATE SERVICES COMPANY

Services Available to Clients Methods of Charging Therefor and Miscellaneous Terms and Conditions of Service Agreements

ARTICLE I. *Definitions*

- A. The term "Company" shall mean Nisource Corporate Services Company and its successors.
- B. The term "Parent" shall mean Nisource Inc. and its successors.
- C. The term "Associate" shall mean any subsidiary corporation of the Parent which is a party to a service Agreement with the Company.
- D. The term "Service Agreement" shall mean an agreement, of which this Schedule A constitutes a part, for the rendition of services by the Company.
- E. The term "Client" shall mean any corporation to which services may be rendered by the Company under a Service Agreement.

ARTICLE II. *Description of Services*

The services and facilities which the Company is prepared to render and furnish, as requested from time to time by the Clients, are set forth in general terms below. The details listed under each heading are intended to be illustrative rather than inclusive and are subject to modification from time to time in accordance with the state of the art and the needs of the Clients.

- A. *Accounting and Statistical Services.* The Company will advise and assist the Clients in accounting and statistical matters, including the preparation and furnishing of financial, statistical and other related reports and analyses; and in addition, will advise and assist the Clients in matters related to cash requirements.
- B. *Auditing Services.* The Company will conduct periodic audits of the general records of the Clients, will supervise the auditing of local and field office records of the Associates, and will coordinate the audit programs of the Clients with those of the independent accountants in the annual examination of their accounts.
- C. *Budget Services.* The Company will advise and assist the Clients in matters involving the preparation and development budgets and budgetary controls.

D. *Business Promotion Services.* The Company will advise and assist the Associates in the preparation and use of advertising, in the development of residential, commercial and industrial business, and in the rendering of aid to local appliance distributors and dealers in the advertising and promotion of appliance sales.

E. *Corporate Services.* The Company will advise and assist the Clients in connection with corporate matters and with proceedings involving regulatory bodies.

F. *Data Processing, Tabulating and Calculating Services.* The Company will process data for the Clients by means of electronic, punch-card, magnetic tape, or other tabulating or calculating equipment maintained on a centralized basis. These services will include the computing, preparing and processing of service bills, and other bookkeeping, accounting, analytical, calculating and related functions.

G. *Depreciation Services.* The Company will advise and assist the Associates in matters pertaining to depreciation practices, including (1) the making of studies to determine the estimated service life of various types of plant, annual depreciation accrual rates, salvage experience, and trends in depreciation reserves indicated by such studies; (2) assistance in the organization and training of the depreciation departments of the Associates; and (3) dissemination to the Associates of information concerning current developments in depreciation practices.

H. *Economic Services.* The Company will advise and assist the Clients in matters involving economic research and planning and in the development of specific economic studies.

I. *Electronic Communications Services.* The Company will advise and assist the Clients in connection with the planning, installation and operation of radio networks, remote control and telemetering devices, microwave relay systems and all other applications of electronics to the fields of communication and control.

J. *Employee Services.* The Company will advise and assist the Clients in connection with employee relations matters, including recruitment, employee placement, training, compensation, safety, labor relations and health, welfare and employee benefits.

K. *Engineering and Research Services.* The Company will advise and assist the Associates in connection with the engineering phases of all construction and operating matters, including estimates of costs of construction, preparation of plans and designs, standardization of engineering procedures, and supervision and inspection of construction. The Company will also conduct both basic and specific research in fields related to the operations of the Associates.

L. *Gas Dispatching Services.* The Company will advise and assist the Associates in the dispatching of the gas supplies available to the Associates, and in determining and effecting the most efficient routing and distribution of such supplies in the light of the respective needs therefor and the applicable laws and regulations of governmental bodies. If requested by the Associates, the

Company will provide a central dispatcher or dispatchers to handle the routing and dispatching of gas.

M. *Geology and Production Services.* The Company will advise and assist the Associates in matters of geology and production, including the estimation of available reserves of the Associates and their suppliers, the selection of acreage to be leased or surrendered, the selection of storage areas, the location of wells, and methods of drilling and of oil and gas recovery.

N. *Information Services.* The Company will advise and assist the Clients in matters involving the furnishing of information to customers, employees, investors and other interested groups, and to the public generally, including the preparation of booklets, photographs, motion pictures and other means of presentation, and assistance to Clients in their advertising programs.

O. *Insurance Services.* The Company will advise and assist the Clients in general insurance matters, in obtaining policies, making inspections and settling claims.

P. *Methods Services.* The Company will advise and assist the Clients in the formulation of accounting practices and methods of procedure, in the standardization of forms, and with respect to the purchase, rental and use of mechanical and electronic computing equipment. The Company will also conduct such special studies as may be requested by the Clients.

Q. *Office Space.* As may from time to time be available, the Company will provide suitable space in its offices for the use of the Clients and their officers and employees.

R. *Officers.* Any Client may, with the consent of the Company, elect to any office of the Client any officer or employee of the Company whose compensation is paid by the Company. Services rendered to the Client by such person as an officer shall be billed by the Company to the Client and paid for as provided in Articles III, IV and V, and the Client shall not be required to pay any compensation directly to any such person.

S. *Operation and Planning Services.* The Company will advise and assist the Associates in connection with estimates of gas requirements and gas available, gas transmission, measurement, storage and distribution, construction requirements, negotiation of gas purchase and sale contracts, and other operating matters.

T. *Purchasing and Storage Services.* The Company will render advice and assistance to the Clients in connection with the standardization, purchase and storage of equipment, materials and supplies, and, upon request of the Client, the negotiation of purchases and the placing of purchase orders for account of the Client.

U. *Rate Services.* The Company will advise and assist the Associates in all rate matters, including the design and preparation of schedules and tariffs, the analysis of rate filings of producers

and pipeline suppliers, and the preparation and presentation of testimony and exhibits to regulatory authorities.

V. *Stationery Services.* The Company will maintain centralized equipment, facilities and personnel to purchase or produce, store and distribute to the Clients, as required by them, forms, stationery, charts, maps, pamphlets and other printed material.

W. *Tax Services.* The Company will advise and assist the Clients in tax matters, in the preparation of tax returns and in connection with proceedings relating to taxes.

X. *Transportation Services.* The Company will advise and assist the Clients in connection with the purchase, lease, operation and maintenance of motor vehicles and the operation of aircraft owned or leased by the Company or the Clients.

Y. *Miscellaneous Services.* The Company will render to any Client such other services, not hereinabove described, as may properly be rendered by the Company to such Client within the meaning and intent of the Public Utility Holding Company Act of 1935 and any other applicable statutes and the orders, rules and regulations of the Securities and Exchange Commission and any other governmental bodies having jurisdiction, as from time to time the Company may be equipped to render and such Client may desire to have performed.

ARTICLE III. *Compensation*

The amounts which the Client shall pay to the company shall be determined as provided in this Article III.

A. *Stationery and Data Processing Services.*

The Stationery Department and the Data Processing Department shall operate as separate units and the Client shall be charged directly by each such department for its services, at cost, which shall include all applicable overhead. In the alternative such departments may recover the costs of any service (including all applicable overhead) from the Client on the basis of fixed unit prices, adjusted from time to time, as required, to provide a reasonable balance between revenues and expenses. The same system shall apply to any other department having similar characteristics if the Company shall deem it appropriate.

B. *All Other Services and Miscellaneous Services Not Specifically Provided For.*

(1) *Specific Direct Salary Charges to Clients*

To the extent that time spent by the officers and employees of the Company engaged in rendering such other services and in rendering services not specifically provided for is related to

services rendered to a specific Client, a direct salary charge, computed as provided in Article IV, shall be made to such Client.

(2) *Apportioned Direct Salary Charges to Associates*

To the extent that the time spent by such officers and employees is related to services rendered to the Associates generally, or to any specified group of the Associates, a direct salary charge, computed as provided in Article IV, shall be made to the Associates generally, or to such specified group of the Associates, and allocated to each such associate upon such equitable basis or bases as the Board of Directors of the Company may from time to time specify, subject to concurrence of the Securities and Exchange Commission.

(3) *Direct Salary Charges for Services to the Company*

To the extent that time spent by any officer or employee of the Company is related to services rendered to the Company, a direct salary charge computed as provided in Article IV shall be made to Overhead.

(4) *Apportionment of Employee Benefits*

The employee benefit expenses which are related to direct salary charges made pursuant to sub-paragraphs (1), (2) and (3) of this paragraph B shall be apportioned among the several Clients and Overhead, as applicable, in the proportions which the respective direct salary charges made pursuant to the rendering of such services to each such Client and Overhead bear to the aggregate of such direct salary charges.

(5) *Other Expenses*

All expenses, other than salaries and employee benefit expenses incurred by the Company in connection with services rendered to a specific Client shall be charged directly to such Client. All such expenses incurred by the Company in connection with services rendered to the Associates generally or to any specified group of Associates shall be apportioned in the manner set forth in sub-paragraph (2) of paragraph B of this Article III for the apportionment of salary charges. All other such expenses shall be charged to Overhead, which shall include: the rents; depreciation; amortization; interest; taxes; non-productive time of officers and employees; compensation of employees performing office service functions; costs of general office supplies; charges for utility, maintenance and similar services; legal fees and fees of independent accountants; and all other such expenses normally treated as Overhead.

(6) *Apportionment of Overhead*

The Overhead shall be allocated, among the Clients in the same proportions which the direct salary charges to such Clients made pursuant to Sub-paragraphs (1) and (2) of this paragraph B, for services of officers and employees, bear to the aggregate of such direct salary charges.

ARTICLE IV. *Computation of Salary Charges and Application of Overhead*

A. *Direct Salary Charges*

The direct salary charge per hour which shall be made for the time of any officer or employee for services rendered in any calendar month shall be computed by dividing his total compensation for such month by the aggregate of (1) the number of scheduled working hours for which he was compensated, including hours paid for but not worked, and (2) hours worked in excess of his regular work schedule, whether or not compensated for.

B. *Suspense Account and Overhead Percentage Factors*

The apportionment of overhead among Clients pursuant to subparagraph (6) of paragraph B of Article III shall be effected by debits and credits to an Overhead Suspense Account to be maintained on the books of the Company as follows:

- (a) Such account shall be debited with the amounts of all Overhead.
- (b) Such account shall be credited, and each Client to which a direct salary charge is made pursuant to sub-paragraphs (1) and (2) of paragraph B of Article III for services of officers and employees shall be charged, with an amount representing a uniform percentage of each such direct salary charge. Such percentage shall be initially estimated, and from time to time adjusted, if required, in such manner that on an annual basis the credits made pursuant to this clause will substantially equal the debits made pursuant to foregoing clause (a).

ARTICLE V. *Billing*

A. *Monthly Bills and Detail Statement of Charges*

As soon as practicable after the close of each month the Company will issue to the Client an Invoice and Detail of Charges which will itemize the amounts due from the Client for services, overhead and expenses for such month, computed pursuant to Articles III and IV. All amounts so billed shall be paid by the Client within fifteen days after the receipt of the bill therefor.

To the extent required by law, all bills rendered by the Company to the Client shall be accompanied by a statement showing the manner in which such charge was determined and the cost to the Company of the service rendered.

B. *Information to be Furnished by Associate*

The Associate will forward to the Company from time to time, as requested, such financial and statistical information as the Company may need to compute the charges payable by such Associate upon such basis as may have been specified pursuant to Article III B(2) of this Schedule A.

ARTICLE VI. *Inspection of Records*

The Company agrees to keep its books and records available for inspection at all reasonable times by representatives of the Client in order that the correctness of the charges made by the Company for services to the Client may be verified by the Client.

CHI_DOCS2:CS2461507.1 03.08.01 11.13

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-5-10 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 25. The reference made on line 8 of this page appears to be for a document that was not provided with the Company's filing. Is this reference correct? If so, please provide the referenced document. If not, please correct the reference.

Response: The reference on line 8 of Workpaper JES-6, page 25, should read Workpaper JES-6, page 24 line 24.

All the workpapers were provided with the original filing.
There are no Workpapers JES-14, 15, 16, 17.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-5-11 Refer to Exh. BSG/JES-6. For the months November and December 2004, please provide the source materials and workpapers for the values found in all columns on pages 1-3 of this exhibit.

Response: Attachment DTE-5-11 (A), page 1 of 11, line 1 shows the amount billed to Bay State from NCSC for the month of November 2004. Lines 2 through 19 details the capitalization of NCSC charges and the reclass of lobbying costs to below the line. Line 20 shows the amount retained in O&M expense. The source materials are provided in pages 2 through 11 of this Attachment.

Attachment DTE -5-11(B), page 1 of 11, line 1 shows the amount billed to Bay State from NCSC for the month of December 2004. Lines 2 through 19 details the capitalization of NCSC charges and the reclass of lobbying costs to below the line. Line 20 shows the amount retained in O&M expense. The source materials are provided in pages 2 through 11 of this Attachment.

Attachment DTE-5-11 (C) line 57 provides the November and December 2004 Gross BSG Management Fee. The billings to Northern Utilities are provided on line 61.

Attachment DTE-5-11 (D) line 19 provides the total Northern Utilities Management Fee to Bay State. The monthly totals on Attachment (D) have been restated for adjustments during the test year but the total has not been affected.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Stephen H. Bryant, President

DTE-5-30 Refer to Exh. BSG/SHB-1, at 51, In. 18-22. Please provide a cite to where the Department made the determination that Bay State's integrated service business is not a competitive affiliate.

Response: Attachment DTE-05-30 (a) is a Letter Order dated June 15, 2000 to Bay State ("Bay State Order") affirming that a proposal offered by Bay State to address the Department's concerns regarding cross-subsidization and impediments to the development of a competitive marketplace was consistent with the objectives the Department outlined in its letter dated October 20, 1999. The Department's position was further clarified in a Letter Order ("Order") to Commonwealth Gas Company ("Commonwealth Order") dated September 12, 2001. See Attachment DTE-05-30 (b). In the Commonwealth Order the Department declined to find that Commonwealth's appliance maintenance and repair function was subject to the Standards of Conduct as an affiliate under 220 C.M.R. § 12.02. The Department relied on Commonwealth's claim that its appliance maintenance and repair function was consistent with the Bay State proposal as approved by the Department in the Bay State Order:

As the Company notes, however, the Department proposed the separation for Bay State as a means to prevent any possible cross-subsidization and avoiding impediments to the development of a competitive marketplace (Answer at 6). The Company further states that its practices conform to Bay State's practices, which the Department favorably endorsed (Answer at 6)."

The net result of these two Orders is that the Department does not view Bay State's integrated service business as a competitive affiliate.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-5-36 Refer to Exh. BSG/JES-1, at 31. Please provide the derivation of the total payroll taxable for social security tax purposes of 74 percent. In addition, please provide any payroll tax returns (Form 941, for example, which support the Company's calculation.

Response: Attachment DTE-5-36 provides data generated through an internal report. This information was used to compute the 74 percent shown on Exhibit BSG/JES-1, at 31.

NiSource Corporate Services is "common pay agency." Therefore, the quarterly 941 forms filed for NiSource include many companies. The Company generates internal reports to provide a breakdown of the Form 941 information between different NiSource companies.

Bay State Gas Company

D. T. E. 05-27
Witness: J. E. Skirtich
Attachment DTE-5-36

Nisource Corporate Services 2004

	Employees	Taxable Wages	Tax Withheld	SUTA Taxable Wages	SUTA Tax Paid	FUTA Taxable Wages	FUTA Tax Paid	OSADI Taxable (\$87,900 limit)	OSADI Tax	MEDI Taxable (no limit)	MEDI Tax	Federal Taxable Wages	FIT Withheld
CT	2	49,838.78	140.00										
DC	3	135,474.00	11,554.79	29,325.76	469.21								
DE	1	108,000.00	5,947.76										
IN	472	51,412,491.15	1,705,807.82	3,137,659.88	90,992.15								
KY	18	833,495.70	46,042.05	157,741.68	4,867.93								
LA	7	408,111.93	13,487.57	49,000.00	1,357.30								
MA	79	4,649,876.10	228,592.69	1,017,774.81	112,167.38								
MD	5	931,042.04	47,797.31	17,000.00	323.00								
ME	2	66,885.35	4,081.00										
MI	1	86,644.13	3,167.93										
NC	2	27,360.79											
NH	1	59,178.83		146,000.00	7,070.00								
NJ	1	17,045.45	420.30										
NY	1	57,889.62	2,808.77	8,500.00	127.50								
OH	704	43,928,760.84	1,886,530.93										
PA	71	4,810,886.83	148,037.96	516,254.09	42,835.55								
TN				21,000.00	378.00								
TX				83,000.00	5,926.20								
VA	57	5,814,898.36	310,127.00										
WV	201	13,684,141.52	685,930.00										
Federal Info	303 Employees earned over the \$87,900.00 OASDI threshold					11,174,284.10	89,394.27	97,810,419.00	6,064,245.94	132,455,915.00	1,920,610.85	128,396,370.38	22,296,300.71

	Social Security Taxable (\$87,900 limit)	MEDI Taxable (no limit)	Percent Taxable for SS and MEDI	Percent Taxable for MEDI, only
NiSource Corporate Services 2004	97,810,419.00	132,455,915.00	73.84%	26.16%

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirement)

DTE-5-38 Refer to Exh. BSG/JES-1, at 28-29. Please provide a copy of two job orders, randomly selected from those issued on the last business day of the month for each month of the test year, where it was necessary to allocate charges incurred by NCSC among affiliates.

Response: Attached as Attachment DTE-5-39 are copies of two job orders for each month of the test year where it was necessary to allocate charges incurred by NCSC among affiliates.

Job Order - Description

	<u>Vendor</u>
Jan	
0019-0100-AD - GAS SUPPLY - CORPORATE	DELL MARKETING
0066-0100-AG - TREASURY - CORPORATE	MOODY'S INVESTOR
Feb	
0010-0101-TA - CORPORATE TAX MATTERS	DELOITTE & TOUCHE
0008-0318-KG - LABOR AND EMPLOYMENT	SCHIFF, HARDIN, WAITE
Mar	
0027-0100-KF - HUMAN RESOURCES - CORPORATE	AYCO COMPANY
0002-0101-KF - FILE MAINTENANCE	PROBUSINESS
Apr	
0053-0224-BA - ELECTRONIC MEASUREMENT	EAGLE RESEARCH
0576-0100-TA - PEOPLESFT CODE BLOCK TEAM MATTERS	PEOPLESFT
May	
0876-0100-MK - HELP DESK-CORPORATE	POMEROY COMPUTER
0871-0101-MM - DATA CENTER - DISTRIBUTING COMPUTING	IBM GLOBAL
Jun	
0057-0100-AG - GOVERNMENTAL AFFAIRS - CORPORATE CHARGES	APA TEN G
0047-0101-MY - BUILDINGS RENT	CITY TREASURER
Jul	
0008-0394-TA - CORPORATE MATTERS (TA)	SCHIFF, HARDIN, WAITE
0874-0101-TA - CORPORATE APPLICATIONS DEVELOPMENT - CORPORATE	DIVERSIFIED MKT
Aug	
0047-0101-MY - BUILDINGS RENT	US POSTAL SERVICE
0015-0101-TA - EH & S GENERAL	MIDWEST ENERGY
Sep	
0877-0261-JB - ECIF / WEB SS	F1
0008-0308-AD - REGULATORY STATE	CDW SELECT, INC
Oct	
0064-0101-TA - CORPORATE COMPLIANCE	AMERICAN GAS
0009-0100-AD - FINANCE & STRATEGY - DIST- CORPORATE	ACLOCHE
Nov	
0086-0100-AD - STRATEGIC PROCUREMENT & ANALYSIS - CORP	FIREPROOF
0053-0213-BA - TECHICAL OPERATIONS - GIS	KEMA CONSULTING
Dec	
0033-0100-KD - REGULATORY & GOVERNMENTAL - DIST - CORP	TRAVEL & TRANSPORT
0015-0237-AD - HEALTH & SAFETY	ON-SITE CALIBR

Note:

The numeric numbers defines the job order and the two letters designates the allocation code.

A description of the codes included here are as follows:

AD = All Distribution based on assets and O&M expense

AG = All companies based on assets and O&M expense

TA = Historic contract billing.

KG = All companies based on employees

KF = All companies including NCSC on employees

BA = All companies based on assets

MK = All companies based on client devices (PCs, MDT, and Printers)

MM = All companies based on other devices (Servers, Telephony, etc.)

MY = All companies based on floor space

JB = Distribution companies and NIPSCO based on retail customers

KD = Distribution companies based on employees

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-5-39 Refer to Exh. BSG/SHB-1, at 25-26. Please provide a copy of two job orders, randomly selected from those issued on the last business day of the month, for each month of the test year, which show billings for services rendered from the Company to Northern Utilities and from Northern Utilities to the Company.

Response: The Company does not use a job order process for billing between Bay State and Northern Utilities. Common or shared costs are allocated between Bay State and Northern Utilities as provided in the Affiliate Agreement with Northern Utilities. Please reference the Company's responses to AG-1-27 and AG-1-28 for the Affiliated Agreement and a detailed explanation of the costs allocated between Bay State and Northern Utilities.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-3 Refer to Exh. BSG/JES-1, Sch. JES-1 and Supplementary Filing Requirements Vol. 1. Please provide page, account, and line references to the Company's 2004 Annual Report to the Department for each line item in col. 1 ("Per Books") of Exh. BSG/JES-1, Sch. JES-1. If any item in Exh. BSG/JES-1, Sch. JES-1 does not appear in the Company's 2004 Annual Report to the Department, please provide source materials.

Response: Please see Attachment AG-6-3.

Bay State Gas Company
Exhibit BSG/JES-1 Schedule 1 / 2004 Annual Report to the Department

<u>Description</u>	<u>Per</u> <u>Books</u> <u>(1)</u> <u>\$</u>	<u>Reference</u> <u>(2)</u>			
Operation Revenue	510,457,335	Page 10, Line 2			
Operating Expenses:					
Cost of Gas	323,863,512 (a)		Page 47, Line 33 <u>Total O&M</u> (1) \$ 422,870,995	Page 46, Line 12 Production/ <u>Cost of Gas</u> (2) \$ 326,855,062	O&M <u>Expense</u> (1 - 2 = 3) \$ 96,015,933
		Page 45, Line 20		(565,060)	565,060
		Page 45, Line 23 (1)		(195,240)	195,240
		Page 45, Line 26		(476)	476
		Page 45, Line 27		(46,333)	46,333
		Page 45, Line 43		(858,065)	858,065
		Page 45, Line 44		(914,499)	914,499
		Page 45, Line 50		(411,816)	411,816
		Page 46, Line 10 (2)		(61)	61
				323,863,512 (a)	99,007,483 (b)
O&M Expense	99,007,484 (b)				
Depreciation	24,126,707	Page 10, Line 6			
Amortization	15,036,749	Page 10, Line 7			
Taxes Other Than Income	9,665,342	Page 49, Column d, Line 15 Minus Line 2			
(1) O&M Expenses					
Acct 754-00 LNG Liquefaction	148,035				
Acct 754-95 LNG Liquefic FLT Exp	17,821				
Acct 754-96 LNG Liquefic Stores Exp	27				
Acct 757-00 LNG Exp Vaporization	11,790				
Acct 757-06 LNG Exp Vapo Easton	10,900				
Acct 757-07 LNG Exp Marshfield	3,903				
Acct 757-95 LNG Vapor FLT Exp	2,760				
Acct 757-96 LNG Vapor Stores Exp	3				
	195,240				
(2) O&M Expenses					
Acct 495-03 Maintenance of AGAWAM Turbo	61				

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-5 Refer to Exh. BSG/JES-1, Sch. JES-6, at 14. Please provide invoices, receipts, and any other documentation for costs and items that constitute the value in line 5, "Test Year Postage Expense."

Response: Attachment DTE-6-5 includes monthly support schedules for the 2004 postage cost for billing and inserting by postal rate. As shown on the summary page the postage related to billing and inserting totals \$1,198,731. The Company spent an additional \$57,215 for miscellaneous postal services.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-6 Refer to Exh. BSG/JES-1, Sch. JES-6, at 14. Please provide total postage fees for the last three years on a monthly and annualized basis, as well as by postage class (first, pre-sort, etc.) noting each time the effective date of any postal rate increase.

Response: Attachment DTE-6-6 identifies the postage fees for 2002, 2003 and 2004 for billing and inserting only. Please note the postage increase effective July 2002.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirement)

DTE-6-11 Refer to Exh. BSG/JES-1, at 34; Exh. BSG/JES-1, Workpaper JES-6, at 30; and Exh. BSG/JES-1, Sch. JES-6, at 14. As the proposed postage increase will not be approved before January 2006, please provide analyses and explanation of analyses demonstrating the increase in postage for the part of the rate year in which the new rates are applicable. Provide 3 analyses, assuming the rate increase occurs on January 1, 2006; March 1, 2006; and May 1, 2006.

Response: As stated in response to previous data requests, Bay State expects the increase to be approved before the midpoint of the rate year, and therefore the costs should be annualized. In response to the request, Table DTE-6-11 below illustrates the differences assuming the test year level of expense mirrors the rate year.

Table DTE-6-11

Rate Year	Test Year	Increase	Increase	Increase
Month	Postage	Effective	Effective	Effective
<u>Month</u>	<u>Expense</u>	<u>Jan-06</u>	<u>Mar-06</u>	<u>May-06</u>
(1)	(2)	(3)	(4)	(5)
(\$)	(\$)	(\$)	(\$)	(\$)
December	122,330			
January	117,045	117,045		
February	116,990	116,990		
March	112,420	112,420	112,420	
April	108,795	108,795	108,795	
May	116,020	116,020	116,020	116,020
June	109,779	109,779	109,779	109,779
July	113,520	113,520	113,520	113,520
August	8,000	8,000	8,000	8,000
September	138,374	138,374	138,374	138,374
October	99,727	99,727	99,727	99,727
November	92,946	92,946	92,946	92,946
Total	1,255,946	1,133,616	899,581	678,366
% Increase	5.41%	5.41%	5.41%	5.41%
Adjustment	67,947	61,329	48,667	36,700